

## Notes to Financial Statement

### Note 1 – Nature of Business and Significant Accounting Policies

Total Health Care, Inc. (the "Company"), a not-for-profit corporation, operates as a state-licensed health maintenance organization (HMO). Total Health Care, Inc. provides medical services to persons primarily in southeastern Michigan who subscribe as recipients of state or federal health benefits, as part of an employer group, or as individuals. Effective November 1, 2005, the Company no longer provides medical services to employer groups. Employer group contracts formerly serviced by the Company were transferred to Total Health Care USA, Inc. in 2005.

Total Health Care, Inc., and its wholly owned subsidiaries, Total Health Choice, Inc. and Total Health Care USA, Inc., have common officers on their respective governing boards.

**Statutory Basis of Accounting** – The financial statements have been prepared in accordance with the NAIC Accounting Practices and Procedures manual and the statutory accounting principles as prescribed by Section 1007 of the Michigan statutes. Statutory accounting principles differ from generally accepted accounting principles (GAAP) in their definition of assets and liabilities. Specifically, certain assets (such as intangible assets and receivables greater than 90 days) are excluded from the statutory basis balance sheet. GAAP net assets exceed statutory net assets by approximately \$729,024 and \$1,792,703 at March 31, 2010 and December 31, 2009, respectively. There are no significant differences between statutory accounting principles prescribed by the NAIC and the State of Michigan accounting requirements that are applicable to the Company.

**Cash and Short-term Investments** – The Company considers all highly liquid investments purchased with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit in banks or other similar financial institutions with maturity dates of one year or less from the acquisition date are considered cash under statutory accounting principles.

**Investments** – Short-term investments and long-term certificates of deposit are recorded at amortized cost, which approximates fair market value. Long-term certificates of deposit are classified as bonds on the balance sheet per statutory guidance. Investments in health care subsidiaries are reported at the statutory net worth value of the subsidiary under the equity method and are reported as common stocks on the balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in net investment income on the statement of operations. Changes in unrealized gains and losses on investments are included as a direct adjustment to capital and surplus.

**Revenue Recognition and Accounts Receivable** – Capitation revenue and subscriber premiums are recognized in the period that members are entitled to related health care services. A portion of the health care receivable is due from third-party payors for subscribers located within southeastern Michigan. No allowance for doubtful accounts is recorded in 2010 or 2009. Receivables greater than 90 days old are treated as non-admitted for statutory accounting purposes. Approximately \$374,000 and \$544,000 of receivables greater than 90 days old were non-admitted at March 31, 2010 and December 31, 2009, respectively. The Company also used to pay quality assurance assessment fees based on a percentage of revenue. Revenue for March 31, 2010 and December 31, 2009 is reported net of the fees, which totaled

## **Notes to Financial Statement**

\$0 and \$2,511,570, respectively.

**Recognition of Medical and Hospital Expenses** – Medical and hospital expenses and the related liabilities are recorded when eligible medical and hospital services are authorized or performed. Unpaid claims represent management's estimate of the ultimate cost to settle all claims incurred prior to year-end. Capitation retained for the settlement of risk-sharing is included in the accrued medical incentive pool liability at March 31, 2010 and December 31, 2009.

**Physician Group Contracts** – The Company contracts with physician groups for the provision of medical care and compensates the groups on a capitation basis. During 2007, the Company revised its physician group contracts. These contracts have a specialty claims incentive and pay-for-performance incentive. If the providers meet the incentives, they share in the savings and a payable is recorded. If the providers do not meet the incentives, they share in the excess costs and a health care receivable is recorded if deemed collectible by management. During 2010 and 2009, health care receivables and payables have been recorded from/to providers.

**Hospital Group Contracts** – The Company has contracts with several hospitals and other groups. These contracts are paid under capitated fees or various other charge arrangements.

**Malpractice Claims** – The Company has a claims-made policy for malpractice insurance. The Company's policy is to accrue for estimated costs of claims and incidents during the term of the claims-made policy.

**Employee Staffing and Purchased Services Agreement** – The Company has an employee staffing and purchased services agreement with a limited liability company, which is responsible for payment of most of the management, operational, and administrative expenses. Ultimate operational control rests with the board of directors of Total Health Care, Inc.

**Income Taxes** – Total Health Care, Inc. has received federal income tax exemption under Internal Revenue Code Section 501(c)(4). The Company is also exempt from state and local income taxes.

**Funds Maintained Under Statutory Requirements** – The Company maintains segregated funds under statutory requirements to protect members and health care providers in the event the Company is unable to meet its contractual obligations. These funds can be used only at the direction of the insurance commissioner in accordance with statutory and contractual provisions. These funds are classified according to the nature of the investment. At March 31, 2010 and December 31, 2009, \$1,000,000 was held in short-term certificates of deposit to fulfill these requirements. Interest earned on these funds can be utilized by the Company.

**Use of Estimates** – The preparation of financial statements in conformity with statutory accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain significant estimates exist relating to unpaid claims. It is at least reasonably possible that these estimates will be materially revised in the near term.

**Notes to Financial Statement**

A reconciliation of the Total Health Care’s net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below:

	2010	2009
(1) Net Income - State Basis	499,125	(5,289,370)
(2) State Prescribed Practices (Income):		
Depreciation of fixed assets	0	0
(3) State Permitted Practices (Income):		
Depreciation, home office property	0	0
(4) Net Income, NAIC SAP	499,125	(5,289,370)
(5) Statutory Surplus State Basis	23,885,399	21,559,759
(6) State Prescribed Practices (Surplus):		
Goodwill, net	0	0
Fixed Assets, net	0	0
(7) State Permitted Practices (Surplus):		
Home Office Property	0	0
(8) Statutory Surplus, NAIC SAP	23,885,399	21,559,759

**Note 2 – Accounting Changes and Corrections of Errors**

NO CHANGE

**Note 3 – Business Combinations and Goodwill**

This note is not applicable to the Company.

**Note 4 – Discontinued Operations**

This note is not applicable to the Company.

**Note 5 – Investments**

The Company does not have investments relating to mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreement, or real estate.

**Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

The Company has no investments in joint ventures, partnerships, or limited liability companies.

**Note 7 – Investment Income**

The Company has no investment income due and accrued over 90 days past due.

**Note 8 – Derivative Instruments**

The Company does not invest in derivatives.

**Note 9 – Income Taxes**

This note is not applicable to the Company.

**Note 10 – Information Concerning Parent, Subsidiaries, and Affiliates**

## **Notes to Financial Statement**

The Company's provider contracts are all negotiated in conjunction with Total Health Care USA, Inc., the Company's wholly owned subsidiary. This contracting methodology ultimately produces a blended contract rate, which is higher than Total Health Care, Inc. would have incurred had it contracted for Medicaid members only, and a rate significantly lower than Total Health Care USA, Inc. could obtain for its commercial members. See also Note 21.

### **Note 11 – Debt**

This note is not applicable to the Company.

### **Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences, and Other Postretirement Benefit Plans**

This note is not applicable to the Company.

### **Note 13 – Capital and Surplus, Stockholders' Divided Restrictions, and Quasi-reorganizations**

NO CHANGE

### **Note 14 – Contingencies**

NO CHANGE

### **Note 15 – Leases**

NO CHANGE

### **Note 16 – Information about Financial Instruments with Off-balance-sheet Risk and Financial Instruments with Concentrations of Credit Risk**

This note is not applicable to the Company.

### **Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

This note is not applicable to the Company.

### **Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

This note is not applicable to the Company.

### **Note 19 – Direct Premium Written/Produced by Managing General Agents/Third-party Administrators**

This note is not applicable to the Company.

### **Note 20 – Other Items**

NO CHANGE

### **Note 21 – Events Subsequent**

The Company's wholly-owned subsidiary, Total Health Choice, Inc. experienced significant losses from operations during the three months ended March 31, 2010 and the year ended December 31, 2009, resulting in deficit capital and surplus at March 31, 2010 and December 31, 2009. To eliminate this deficiency, Total Health Choice, Inc. entered into an Asset Purchase Agreement with Simply Healthcare Plans, Inc. whereby certain assets and liabilities of Total Health Choice, Inc. would be acquired by Simply and Simply would assume the Medicaid contracts currently operated by Total Health Choice, Inc.. The commercial

## **Notes to Financial Statement**

business will not be acquired by Simply as part of the Asset Purchase Agreement. This agreement requires Simply to manage and be responsible for the commercial business throughout the claims run-off period. Total Health Choice, Inc.'s Certificate of Authority (COA) will be suspended and remain so until all commercial claims have been paid. The acquiring entity was to prepare a Statement of Acquisition, Merger or Consolidation of a Specialty Insurer to be filed with the Florida Office of Insurance Regulation ("OIR") pursuant to Florida law. The transaction was contingent upon the execution of a binding agreement between Total Health Choice, Inc., Total Health Care, Inc., and the acquiring entity and all regulatory approvals being secured. Subsequent to the transactions completion, Total Health Choice, Inc. intends to surrender its certificate of authority to operate as a health maintenance organization and to exit the Florida market. In the event the transaction is not consummated to the satisfaction of the OIR, the OIR will begin taking regulatory action to terminate the existence of Total Health Choice, Inc.

### **Note 22 – Reinsurance**

#### **A. Ceded Reinsurance Report**

NO CHANGE

#### **B. Uncollectible Reinsurance**

NO CHANGE

#### **C. Commutation of Ceded Reinsurance**

NO CHANGE

### **Note 23 – Retrospectively Rated Contracts and Contracts Subject to Redetermination**

This note is not applicable to the Company.

### **Note 24 – Change in Incurred Losses**

NO CHANGE

### **Note 25 – Intercompany Pooling Arrangements**

This note is not applicable to the Company.

### **Note 26 – Structured Settlements**

This note is not applicable to the Company.

### **Note 27 – Health Care Receivables**

NO CHANGE

### **Note 28 – Participating Policies**

This note is not applicable to the Company.

### **Note 29 – Premium Deficiency Reserves**

This note is not applicable to the Company.

### **Note 30 – Anticipated Salvage and Subrogation**

NO CHANGE

**Notes to Financial Statement**

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[ ] No[X]
- 1.2 If yes, has the report been filed with the domiciliary state?

Yes[ ] No[ ] N/A[X]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 2.2 If yes, date of change:
3. Have there been any substantial changes in the organizational chart since the prior quarter end?  
If yes, complete the Schedule Y - Part 1 - organizational chart.

Yes[ ] No[X]
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?  
If yes, attach an explanation.

Yes[ ] No[ ] N/A[X]
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2005
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2005
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

08/02/2007
- 6.4 By what department or departments?  
MICHIGAN OFFICE OF FINANCIAL AND INSURANCE REGULATION
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes[X] No[ ] N/A[ ]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with?

Yes[X] No[ ] N/A[ ]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[ ] No[X]
- 7.2 If yes, give full information
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?  
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
(c) Compliance with applicable governmental laws, rules and regulations;  
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
(e) Accountability for adherence to the code.

Yes[ ] No[X]
- 9.11 If the response to 9.1 is No, please explain:
- 9.2 Has the code of ethics for senior managers been amended?

Yes[ ] No[X]
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers?

Yes[ ] No[X]
- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[ ] No[X]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$..... 0

INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[ ] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$..... 0
13. Amount of real estate and mortgages held in short-term investments:

\$..... 0
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[X] No[ ]

**GENERAL INTERROGATORIES (Continued)**

**INVESTMENT**

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds .....		
14.22 Preferred Stock .....		
14.23 Common Stock .....	8,306,337	9,069,174
14.24 Short-Term Investments .....		
14.25 Mortgages Loans on Real Estate .....		
14.26 All Other .....		
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) .....	8,306,337	9,069,174
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....		

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?  
15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes[ ] No[X]  
Yes[ ] No[ ] N/A[X]

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?  
16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Yes[X] No[ ]

1 Name of Custodian(s)	2 Custodian Address
JP MORGAN - KATE MCDONALD .....	500 STANTON CHRISTIANA RD NEWARK, DE 19713 .....
COMERICA - LYNN HUTZEL-VISEL .....	PO BOX 75000, DETROIT, MI 48275-3462 .....
US BANK - LESLEY KOGER .....	535 GRISWOLD ST. STE. 550 DETROIT, MI 48226 .....

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?  
16.4 If yes, give full and complete information relating thereto:

Yes[ ] No[X]

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?  
17.2 If no, list exceptions:  
NOT REQUIRED BY STATE OF DOMICILE

Yes[ ] No[X]



**GENERAL INTERROGATORIES**

**PART 2 - HEALTH**

1. Operating Percentages:		
1.1 A&H loss percent	.....	0%
1.2 A&H cost containment percent	.....	0%
1.3 A&H expense percent excluding cost containment expenses	.....	0%
2.1 Do you act as a custodian for health savings accounts?	Yes[ ] No[X]	
2.2 If yes, please provide the amount of custodial funds held as of the reporting date.	\$.....	0
2.3 Do you act as an administrator for health savings accounts?	Yes[ ] No[X]	
2.4 If yes, please provide the balance of the funds administered as of the reporting date.	\$.....	0

**SCHEDULE S - CEDED REINSURANCE**  
**Showing All New Reinsurance Treaties - Current Year to Date**

1 NAIC Company Code	2 Federal ID Number	3 Effective Date	4 Name of Reinsurer	5 Location	6 Type of Reinsurance Ceded	7 Is Insurer Authorized? (Yes or No)
<b>Accident and Health - Affiliates</b>						
20621 .....	04-2475442 .....	..... 11/01/2009 .....	ONEBEACON AMER INS CO .....	CANTON, MA .....	..... SSL/L/I .....	..... Yes[ ] No[X] .....

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**  
**Current Year to Date - Allocated by States and Territories**

		1	Direct Business Only							
			2	3	4	5	6	7	8	9
State, Etc.		Active Status	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama (AL) .....	N								
2.	Alaska (AK) .....	N								
3.	Arizona (AZ) .....	N								
4.	Arkansas (AR) .....	N								
5.	California (CA) .....	N								
6.	Colorado (CO) .....	N								
7.	Connecticut (CT) .....	N								
8.	Delaware (DE) .....	N								
9.	District of Columbia (DC) .....	N								
10.	Florida (FL) .....	N								
11.	Georgia (GA) .....	N								
12.	Hawaii (HI) .....	N								
13.	Idaho (ID) .....	N								
14.	Illinois (IL) .....	N								
15.	Indiana (IN) .....	N								
16.	Iowa (IA) .....	N								
17.	Kansas (KS) .....	N								
18.	Kentucky (KY) .....	N								
19.	Louisiana (LA) .....	N								
20.	Maine (ME) .....	N								
21.	Maryland (MD) .....	N								
22.	Massachusetts (MA) .....	N								
23.	Michigan (MI) .....	L	40,177		49,292,497				49,332,674	
24.	Minnesota (MN) .....	N								
25.	Mississippi (MS) .....	N								
26.	Missouri (MO) .....	N								
27.	Montana (MT) .....	N								
28.	Nebraska (NE) .....	N								
29.	Nevada (NV) .....	N								
30.	New Hampshire (NH) .....	N								
31.	New Jersey (NJ) .....	N								
32.	New Mexico (NM) .....	N								
33.	New York (NY) .....	N								
34.	North Carolina (NC) .....	N								
35.	North Dakota (ND) .....	N								
36.	Ohio (OH) .....	N								
37.	Oklahoma (OK) .....	N								
38.	Oregon (OR) .....	N								
39.	Pennsylvania (PA) .....	N								
40.	Rhode Island (RI) .....	N								
41.	South Carolina (SC) .....	N								
42.	South Dakota (SD) .....	N								
43.	Tennessee (TN) .....	N								
44.	Texas (TX) .....	N								
45.	Utah (UT) .....	N								
46.	Vermont (VT) .....	N								
47.	Virginia (VA) .....	N								
48.	Washington (WA) .....	N								
49.	West Virginia (WV) .....	N								
50.	Wisconsin (WI) .....	N								
51.	Wyoming (WY) .....	N								
52.	American Samoa (AS) .....	N								
53.	Guam (GU) .....	N								
54.	Puerto Rico (PR) .....	N								
55.	U.S. Virgin Islands (VI) .....	N								
56.	Northern Mariana Islands (MP) .....	N								
57.	Canada (CN) .....	N								
58.	Aggregate other alien (OT) .....	X X X								
59.	Subtotal .....	X X X	40,177		49,292,497				49,332,674	
60.	Reporting entity contributions for Employee Benefit Plans .....	X X X								
61.	Total (Direct Business) .....	(a)..... 1	40,177		49,292,497				49,332,674	
DETAILS OF WRITE-INS										
5801.	.....	X X X								
5802.	.....	X X X								
5803.	.....	X X X								
5898.	Summary of remaining write-ins for Line 58 from overflow page .....	X X X								
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above) .....	X X X								

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**

TOTAL HEALTH CARE, INC. – PARENT  
38-2018957, NAIC #95644, STATE OF MICHIGAN

TOTAL HEALTH CARE USA, INC. – WHOLLY OWNED SUBSIDIARY OF TOTAL HEALTH CARE, INC.  
38-3240485, NAIC #12326, STATE OF MICHIGAN

TOTAL HEALTH CHOICE, INC. – WHOLLY OWNED SUBSIDIARY OF TOTAL HEALTH CARE, INC.  
33-0603319, NAIC #95134, STATE OF FLORIDA

# SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

RESPONSE
No

Explanations:

Bar Codes:

Medicare Part D Coverage Supplement



**STATEMENT OF REVENUE AND EXPENSES (Continued)**

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year Ended December 31
4704. ....			
4797. Summary of remaining write-ins for Line 47 (Lines 4704 through 4796) .....			

STATEMENT AS OF **March 31, 2010** OF THE **TOTAL HEALTH CARE, INC.**

**SCHEDULE A - VERIFICATION**

Real Estate		
	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....		
2. Cost of acquired .....		
2.1 Actual cost at time of acquisition .....		
2.2 Additional investment made after acquisition .....		
3. Current year change in encumbrances .....		
4. Total gain (loss) on disposals .....		
5. Deduct amounts received on disposals .....		
6. Total foreign exchange change in book/adjusted carrying value .....		
7. Deduct current year's other than temporary impairment recognized .....		
8. Deduct current year's depreciation .....		
9. Book/adjusted carrying value at the end of current period (Lines 1 + 2 + 3 + 4 - 5 + 6 - 7 - 8 ) .....		
10. Deduct total nonadmitted amounts .....		
11. Statement value at end of current period (Line 9 minus Line 10) .....		

**SCHEDULE B - VERIFICATION**

Mortgage Loans

Mortgage Loans		
	1	2
	Year To Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year .....		
2. Cost of acquired: .....		
2.1 Actual cost at time of acquisition .....		
2.2 Additional investment made after acquisition .....		
3. Capitalized deferred interest and other .....		
4. Accrual of discount .....		
5. Unrealized valuation increase (decrease) .....		
6. Total gain (loss) on disposals .....		
7. Deduct amounts received on disposals .....		
8. Deduct amortization of premium and mortgage interest points .....		
9. Total foreign exchange change in book value/recorded investment .....		
10. Deduct current year's other than temporary impairment recognized .....		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10) .....		
12. Total valuation allowance .....		
13. Subtotal (Line 11 plus Line 12) .....		
14. Deduct total nonadmitted amounts .....		
15. Statement value at end of current period (Line 13 minus Line 14) .....		

**SCHEDULE BA - VERIFICATION**

Other Long-Term Invested Assets

Other Long-Term Invested Assets		
	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....		
2. Cost of acquired: .....		
2.1 Actual cost at time of acquisition .....		
2.2 Additional investment made after acquisition .....		
3. Capitalized deferred interest and other .....		
4. Accrual of discount .....		
5. Unrealized valuation increase (decrease) .....		
6. Total gain (loss) on disposals .....		
7. Deduct amounts received on disposals .....		
8. Deduct amortization of premium and depreciation .....		
9. Total foreign exchange change in book/adjusted carrying value .....		
10. Deduct current year's other than temporary impairment recognized .....		
11. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 + 6 - 7 - 8 + 9 - 10) .....		
12. Deduct total nonadmitted amounts .....		
13. Statement value at end of current period (Line 11 minus Line 12) .....		

**SCHEDULE D - VERIFICATION**

Bonds and Stocks

Bonds and Stocks		
	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	8,306,337	13,626,158
2. Cost of bonds and stocks acquired .....		
3. Accrual of discount .....		
4. Unrealized valuation increase (decrease) .....	762,837	(4,319,821)
5. Total gain (loss) on disposals .....		
6. Deduct consideration for bonds and stocks disposed of .....		1,000,000
7. Deduct amortization of premium .....		
8. Total foreign exchange change in book/adjusted carrying value .....		
9. Deduct current year's other than temporary impairment recognized .....		
10. Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9) .....	9,069,174	8,306,337
11. Deduct total nonadmitted amounts .....		
12. Statement value at end of current period (Line 10 minus Line 11) .....	9,069,174	8,306,337

**SCHEDULE D - PART 1B**  
**Showing the Acquisitions, Dispositions and Non-Trading Activity**  
**During the Current Quarter for all Bonds and Preferred Stock by Rating Class**

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 (a) .....	16,160,752	265,303	7,500,000		8,926,055			16,160,752
2. Class 2 (a) .....								
3. Class 3 (a) .....								
4. Class 4 (a) .....								
5. Class 5 (a) .....								
6. Class 6 (a) .....								
7. Total Bonds .....	16,160,752	265,303	7,500,000		8,926,055			16,160,752
<b>PREFERRED STOCK</b>								
8. Class 1 .....								
9. Class 2 .....								
10. Class 3 .....								
11. Class 4 .....								
12. Class 5 .....								
13. Class 6 .....								
14. Total Preferred Stock .....								
15. Total Bonds & Preferred Stock .....	16,160,752	265,303	7,500,000		8,926,055			16,160,752

Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$.....0; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0



**SCHEDULE DA - PART 1**

**Short - Term Investments**

	1 Book/Adjusted Carrying Value	2  Par Value	3  Actual Cost	4  Interest Collected Year To Date	5  Paid for Accrued Interest Year To Date
9199999. Totals .....	8,926,056	X X X	8,926,056	15,303	

**SCHEDULE DA - Verification**

**Short-Term Investments**

		1  Year To Date	2  Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....	16,160,753	15,524,519
2.	Cost of short-term investments acquired .....	265,303	23,426,234
3.	Accrual of discount .....		
4.	Unrealized valuation increase (decrease) .....		
5.	Total gain (loss) on disposals .....		
6.	Deduct consideration received on disposals .....	7,500,000	22,790,000
7.	Deduct amortization of premium .....		
8.	Total foreign exchange change in book/adjusted carrying value .....		
9.	Deduct current year's other than temporary impairment recognized ....		
10.	Book/adjusted carrying value at end of current period (Lines 1 + 2 + 3 + 4 + 5 - 6 - 7 + 8 - 9) .....	8,926,056	16,160,753
11.	Deduct total nonadmitted amounts .....		
12.	Statement value at end of current period (Line 10 minus Line 11) .....	8,926,056	16,160,753



E01	Schedule A Part 2 .....	NONE
E01	Schedule A Part 3 .....	NONE
E02	Schedule B Part 2 .....	NONE
E02	Schedule B Part 3 .....	NONE
E03	Schedule BA Part 2 .....	NONE
E03	Schedule BA Part 3 .....	NONE
E04	Schedule D Part 3 .....	NONE
E05	Schedule D Part 4 .....	NONE
E06	Schedule DB Part A Section 1 .....	NONE
E07	Schedule DB Part B Section 1 .....	NONE
E08	Schedule DB Part D .....	NONE

**SCHEDULE E - PART 1 - CASH**

Month End Depository Balances										
1			2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
							First Month	Second Month	Third Month	
open depositories										
COMERICA BANK .....	DETROIT, MI .....				129	4	14,209,621	14,893,347	13,869,972	X X X
US BANK .....	DETROIT, MI .....					929	1,000,000	1,000,000	1,000,000	X X X
American Chartered Bank .....	COMERICA BANK .....	02/01/2010 .....		0.650	125	138		250,000	250,000	X X X
Aplalachian Comm Bank .....	COMERICA BANK .....	08/03/2009 .....		1.390	339	117	99,000	99,000	99,000	X X X
Aplalachian Comm Bank .....	COMERICA BANK .....	08/03/2009 .....		1.390	339	117	99,000	99,000	99,000	X X X
Bank of Marion .....	COMERICA BANK .....	10/26/2009 .....		0.730	180	62	100,000	100,000	100,000	X X X
Bank of Marion .....	COMERICA BANK .....	10/26/2009 .....		0.730	180	62	100,000	100,000	100,000	X X X
Cathay Bank .....	COMERICA BANK .....	08/03/2009 .....		1.240	764	263	250,000	250,000	250,000	X X X
China Trust Bank .....	COMERICA BANK .....	10/26/2009 .....		0.740	456	157	250,000	250,000	250,000	X X X
Community Bank .....	COMERICA BANK .....	02/02/2010 .....		0.590	43	50		99,000	99,000	X X X
Community Bank .....	COMERICA BANK .....	02/02/2010 .....		0.590	43	50		99,000	99,000	X X X
Community Shores Bank .....	COMERICA BANK .....	10/27/2009 .....		0.350	90	31	104,000	104,000	104,000	X X X
Community West Bank .....	COMERICA BANK .....	10/27/2009 .....		0.300	185	64	250,000	250,000	250,000	X X X
Discover Bank .....	COMERICA BANK .....	02/02/2010 .....		0.590	109	125		250,000	250,000	X X X
Fifth Third Bank .....	COMERICA BANK .....	10/27/2009 .....		0.780	194	67	101,000	101,000	101,000	X X X
Fifth Third Bank .....	COMERICA BANK .....	08/03/2009 .....		0.450	191		250,000			X X X
Fifth Third Bank .....	COMERICA BANK .....	08/03/2009 .....		1.130	697	240	250,000	250,000	250,000	X X X
Financial Bank USA .....	COMERICA BANK .....	10/27/2009 .....		1.230	300	103	99,000	99,000	99,000	X X X
Financiall Federal Sav Bk .....	COMERICA BANK .....	08/03/2009 .....		0.500	212		250,000			X X X
Financial Federal Savings .....	COMERICA BANK .....	02/02/2010 .....		0.590	109	125		250,000	250,000	X X X
First American St Bank .....	COMERICA BANK .....	10/26/2009 .....		0.800	195	67	99,000	99,000	99,000	X X X
First American St Bank .....	COMERICA BANK .....	10/26/2009 .....		0.800	195	67	99,000	99,000	99,000	X X X
First Bank of Puerto Rico .....	COMERICA BANK .....	10/26/2009 .....		0.800	493	170	250,000	250,000	250,000	X X X
First Financial Bank .....	COMERICA BANK .....	08/03/2009 .....		0.690	293		250,000			X X X
First Regional Bank .....	COMERICA BANK .....	08/03/2009 .....		1.250	771	265	250,000	250,000	250,000	X X X
Greystone Bank .....	COMERICA BANK .....	08/03/2009 .....		0.500	212		250,000			X X X
Greystone Bank .....	COMERICA BANK .....	02/02/2010 .....		0.590	23	26		52,000	52,000	X X X
Keywest Bank .....	COMERICA BANK .....	08/03/2009 .....		1.480	912	314	250,000	250,000	250,000	X X X
Liberty Bank of Arkansas .....	COMERICA BANK .....	08/03/2009 .....		0.912	117	40	52,000	52,000	52,000	X X X
Lydian Private Bank .....	COMERICA BANK .....	08/03/2009 .....		1.370	845	291	250,000	250,000	250,000	X X X
M&T Bank Nat'l Assoc .....	COMERICA BANK .....	08/03/2009 .....		0.530	225		250,000			X X X
Mercantile Bank of MI .....	COMERICA BANK .....	10/27/2009 .....		0.300	145	50	196,000	196,000	196,000	X X X
Mercantile Bank of MI .....	COMERICA BANK .....	10/26/2009 .....		0.700	93	32	54,000	54,000	54,000	X X X
Merchants Bank California .....	COMERICA BANK .....	02/01/2010 .....		0.600	115	128		250,000	250,000	X X X
National Bank & Trust .....	COMERICA BANK .....	10/27/2009 .....		0.300	74	26	100,000	100,000	100,000	X X X
National Bank & Trust .....	COMERICA BANK .....	10/27/2009 .....		0.300	74	26	100,000	100,000	100,000	X X X
Native American Bank .....	COMERICA BANK .....	10/27/2009 .....		0.780	192	66	100,000	100,000	100,000	X X X
Native American Bank .....	COMERICA BANK .....	10/26/2009 .....		0.900	333	115	150,000	150,000	150,000	X X X
Peoples Bank of Wisconsin .....	COMERICA BANK .....	10/27/2009 .....		0.300	38	13	51,000	51,000	51,000	X X X
Plaza Bank .....	COMERICA BANK .....	10/26/2009 .....		0.750	274	94	148,000	148,000	148,000	X X X
Plaza Bank .....	COMERICA BANK .....	10/27/2009 .....		0.775	195	67	102,000	102,000	102,000	X X X
Preferred Bank .....	COMERICA BANK .....	02/01/2010 .....		1.000	192	212		250,000	250,000	X X X
Redding Bank of Comm. ....	COMERICA BANK .....	08/03/2009 .....		0.490	208		250,000			X X X
Seaside Nat'l Bank & Trust .....	COMERICA BANK .....	08/03/2009 .....		0.550	237		250,000			X X X
State Bank of India .....	COMERICA BANK .....	10/26/2009 .....		0.700	171	59	99,000	99,000	99,000	X X X
State Bank of India .....	COMERICA BANK .....	10/26/2009 .....		0.700	171	59	99,000	99,000	99,000	X X X
State Bank of India .....	COMERICA BANK .....	10/26/2009 .....		0.700	90	31	52,000	52,000	52,000	X X X
Statewide Bank .....	COMERICA BANK .....	08/03/2009 .....		1.435	885	236	250,000	250,000		X X X
Tennessee St Bank .....	COMERICA BANK .....	10/26/2009 .....		1.000	617	212	250,000	250,000	250,000	X X X
The East Carolina Bank .....	COMERICA BANK .....	10/27/2009 .....		0.430	105	36	99,000	99,000	99,000	X X X
The East Carolina Bank .....	COMERICA BANK .....	10/27/2009 .....		0.430	105	36	99,000	99,000	99,000	X X X
Town Bank .....	COMERICA BANK .....	02/02/2010 .....		0.590	109	125		250,000	250,000	X X X
Upstate National Bank .....	COMERICA BANK .....	10/27/2009 .....		0.780	190	66	99,000	99,000	99,000	X X X
World's Foremost Bank .....	COMERICA BANK .....	10/27/2009 .....		0.780	481	166	250,000	250,000	250,000	X X X
0199998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories .....			X X X	X X X						X X X
0199999 Totals - Open Depositories .....			X X X	X X X	14,060	5,799	22,209,621	22,893,347	21,619,972	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories .....										
			X X X	X X X						X X X
0299999 Totals - Suspended Depositories .....			X X X	X X X						X X X
0399999 Total Cash On Deposit .....			X X X	X X X	14,060	5,799	22,209,621	22,893,347	21,619,972	X X X
0499999 Cash in Company's Office .....			X X X	X X X	X X X	X X X				X X X
0599999 Total Cash .....			X X X	X X X	14,060	5,799	22,209,621	22,893,347	21,619,972	X X X

**SCHEDULE E - PART 2 - CASH EQUIVALENTS**

Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Amount Received During Year
<div>NONE</div>							
8699999 Total - Cash Equivalents .....					.....	.....	.....



**MEDICARE PART D COVERAGE SUPPLEMENT**  
**Net of Reinsurance**  
**For the Quarter Ended March 31, 2010**

NAIC Group Code: 1238

NAIC Company Code: 95644

		Individual Coverage		Group Coverage		5 Total Cash
		1 Insured	2 Uninsured	3 Insured	4 Uninsured	
1.	Premiums Collected .....		X X X		X X X	
2.	Earned Premiums .....		X X X		X X X	X X X
3.	Claims Paid .....		X X X		X X X	
4.	Claims Incurred .....		X X X		X X X	X X X
5.	Reinsurance Coverage and Low Income Cost Sharing - Claims Paid Net of Reimbursements Applied (a) .....	NONE		X X X		
6.	Aggregate Policy Reserves - change .....				X X X	X X X
7.	Expenses Paid .....				X X X	
8.	Expenses Incurred .....				X X X	X X X
9.	Underwriting Gain or Loss .....		X X X		X X X	X X X
10.	Cash Flow Results .....	X X X	X X X	X X X	X X X	

(a) Uninsured Receivable/Payable with CMS at End of Quarter: \$.....0 due from CMS or \$.....0 due to CMS

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